W. T. Grant company annual report 1971

Grants... WHERE
VALUE AND
PROGRESS GO
HAND-IN-HAND

highlights

	1971	1970
Sales	$1,374,811,791	$1,254,130,857
Net earnings	$ 35,212,082	$ 39,577,087
Per common share	$2.51	$2.87
Average number of common shares outstanding	13,874,902	13,637,947
Dividends paid per preferred share	$3.75	$3.75
Dividends paid per common share	$1.50	$1.50
Total dividends paid	$ 21,139,434	$ 20,821,282
Earnings retained in the business	$ 14,072,648	$ 18,755,805
Depreciation and amortization	$ 10,576,708	$ 9,618,739
Capital expenditures	$ 26,476,000	$ 15,995,000
Employee compensation and benefits	$ 336,311,735	$ 295,882,263
Cents per sales dollar	24.5¢	23.6¢
Merchandise inventories	$ 298,676,170	$ 260,492,329
Net fixed assets	$ 77,173,498	$ 61,832,352
Long term debt	$ 128,432,000	$ 32,301,000
Book value common stock—per share	$22.33	$21.09
Number of preferred stockholders	675	703
Number of common stockholders	19,045	19,196
Number of stores	1,168	1,116

THE STORE GROWTH PROGRAM 1967 THROUGH 1971

	Number of New Stores Opened	Number of Stores Enlarged	Capital Expenditures
1971	83	5	$26,476,000
1970	65	8	15,995,000
1969	52	3	13,668,000
1968	41	11	10,625,000
1967	24	13	7,792,000
Totals	265	40	$74,556,000

W. T. GRANT COMPANY / 1515 BROADWAY NEW YORK, N.Y. 10036

To Our Stockholders:

If one were to judge the year 1971 on the actual numbers only, it would be described as disappointing. Our profits declined because increased operating expenses exceeded the additional profit generated by our sales increase for the year.

Numbers and profit performance should not be the final and only measurement of the relative importance of any one year in a Company's life. Growth is certainly a factor that has a cumulative and continuing effect beyond the individual year under focus.

During the last five years the size of our new store program has steadily grown as indicated by the following:

GROSS SQUARE FEET OF NEW STORE SPACE OPENED:

1967—2,146,000 sq. ft.	1969—3,950,000 sq. ft.
1968—3,205,000 sq. ft.	1970—5,360,000 sq. ft.

1971—7,283,000 sq. ft.

By successfully opening over 7 million gross square feet of new store space in 1971, the Company reached the goal of what we presently consider to be the most desirable program that can be efficiently sustained within the prudent confines of available good store locations, adequate management staffing, efficient fixturing and merchandising, and available financial resources. For the foreseeable future, having reached this goal, we will continue this aggressive store opening program. We are confident that this growth pattern presents us with a great opportunity for the future.

We do want to stress the significance of this growth program. A new store, particularly one in a new Grant trading area, requires three to five years to "mature" to its estimated sales and profit potential. Generally, the larger the individual store, the longer the maturing period. As the Company has progressed through this period of sharp yearly increases in the size of our new store program we have added proportionately more one and two year old units in our total store mix. In the near future this situation will reverse and we will have more third, fourth and fifth year units in our mix. We will have more stores that are reaching their sales and profit potential, and less proportionately, that are just starting their growth cycle.

Over this same five year period, we have replaced 70 highly profitable smaller units with large, full line stores. In this situation we sacrifice immediate revenue for greater eventual sales and profit, and most important, continue to hold our position in these particular trading areas.

Even though the Company has experienced a pause in its profit progression, we start the year 1972 with 40% of our total selling area opened within the last five years.

Following are detailed comments:

SALES—Sales totalled $1,374,811,791, an increase of 9.6% over last year.

Starting January 1972 the Company sharply stepped up its new promotional emphasis program aimed at increasing customer traffic on a year round basis. Several hundred items were selected from our merchandise lines and these items will be very promotionally priced, not just for sale events, but on a regular, everyday basis. We intend to reinforce our value image with present customers and attract new customers, in order to increase our share of total retail sales.

EARNINGS—Net earnings totalled $35,212,082, equal to $2.51 per common share, or 12.5% under the per share earnings of $2.87 in 1970.

DIVIDENDS—Dividends of $1.50 per share on the Common Stock and $3.75 per share on the Preferred Stock were paid in 1971, the same amounts as paid during 1970.

FINANCIAL COMMENTS—In April 1971, the Company marketed $100,000,000 of 4¾% Convertible Subordinated Debentures due in 1996. We had planned to transfer a portion of our short term debt related to customer accounts receivable into a fixed interest obligation when it appeared that the time was right. The relatively low interest rate on this convertible debt issue should prove to be beneficial to Company operations over an extended period.

Stockholders equity increased during the year to $325,745,000. "Working Funds", consisting of current assets less current liabilities, excluding deferred credits for taxes related to installment sales increased $113,827,000, to a record $468,498,000.

Short term debt totalled $237,741,000, a decrease of $8,679,000 from 1970.

At year end customer accounts receivable were $493,859,000 or $256,118,000 in excess of our short term debt.

GROWTH PROGRAM—Eighty-three new stores were opened during 1971 and five successful stores were enlarged. As previously mentioned this was, by far, our largest new store opening program, with 7,283,000 gross square feet of new store space put into operation.

Thirty one smaller stores were closed during the year and we had 1,168 stores in operation at year end.

During 1971 we completed our current distribution center building program. The last of our planned new distribution facilities, a 474,000 square foot unit, was opened in Albany, Georgia, on November 1, 1971.

ZELLERS—Our 51% owned Canadian affiliate increased both sales and profits in 1971. Sales totalled $201,444,766, a 14% increase over 1970 sales of $176,602,888. Earnings in 1971 were $7,821,074 compared to $7,578,639 in 1970.

In spite of Zellers improved performance, the Grant share of its earnings declined slightly in 1971. This was due to the fact that in 1970 the Canadian/U. S. dollar exchange rate increased by 7% whereas in 1971 it remained about the same.

The highlights of Zeller's financial position:

	1971	1970
Assets	$94,256,059	$83,254,800
Liabilities	44,334,181	37,591,979
Stockholders Equity	49,921,878	45,662,821

All of the above amounts are in Canadian dollars.

The Company is most grateful to its customers, suppliers and employees for their contribution to performance during the year. We welcome our new stockholders and appreciate the continued loyalty of our other stockholders.

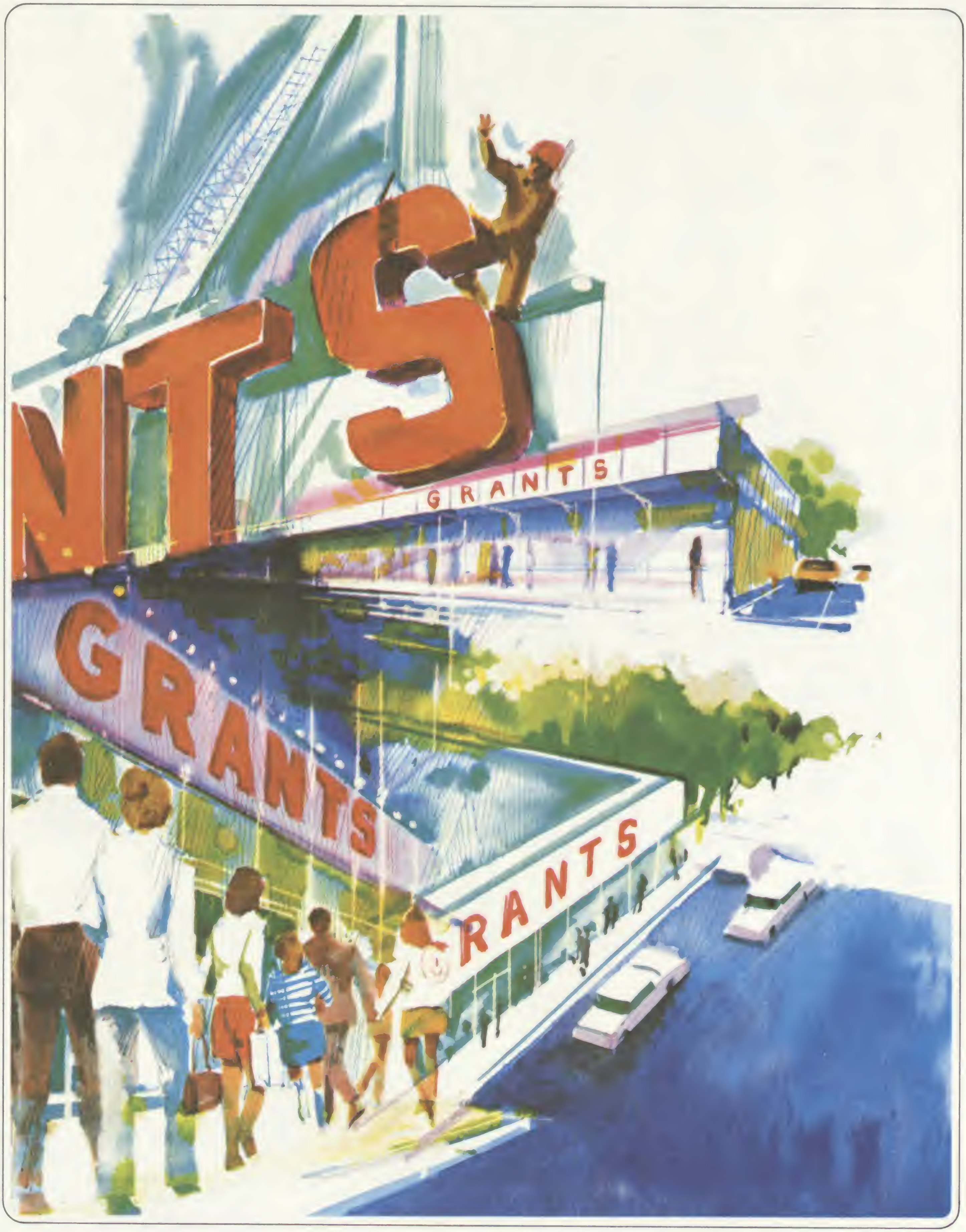
We have great confidence concerning Grant's prospects for the 1970's. Our organization is strong, our financial position sound and we feel that the large group of stores that we have opened in recent years will provide a base for increasing sales and profits in the years to come.

Edward Staley
Chairman of the Board

R. [illegible]
President

GRANTS...KEEPING PACE WITH GROWING AMERICA

Ages 60 through 65 are, for the average working American, the time to retire and ease up. But for the Grant Company, in its 65th year, the past five year span has been the period of the Company's most vigorous growth and expansion. In this half decade, Grants opened more new store space than in any previous ten year period in its history—an area greater than the space available in ten Empire State Buildings. Why the acceleration? Because throughout America the tempo of growth and change is on the upbeat. We find more customers seeking the convenience of one-stop shopping and the adequate parking available in growing suburban communities. We note shopping lists liberally sprinkled with items which, only a few short years ago, were frequently beyond the reach of the average family budget. The trends all point toward an opportunity to service the needs of today's customer and gain a foothold on tomorrow. Our strategy is clear cut—to establish more Grant stores, and larger Grant stores, which feature the expanded lines of merchandise customers are seeking: merchandise they know will, as always, offer quality at value prices. For at GRANTS...VALUE AND PROGRESS GO HAND-IN-HAND.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GRANTS . . . A MAN'S IDEA OF ENJOYABLE SHOPPING

It wasn't too many years back that Grants was primarily a woman's world and only a sprinkling of men could be seen in our stores. From year-to-year, it was often only at Christmas time, when the family showed up in force, that the Grant staff got more than a glimpse of the men of the house. Today, the picture has changed. Men are a very evident and important part of the everyday Grant landscape. Why? Over the years Grants has deliberately set about developing full-lines of merchandise appealing to the man. If he's a do-it-yourselfer, there's a wide range of paints and hardware supplies, and the latest big new stores feature home improvement departments which put remodeling within affordable reach. Over in the appliance department the world of stereo and color TV beckons. If he's the green-thumb type, Grants garden shop makes him feel like a kid in a candy store. Sportsman? Watch him face his new putter at an imaginary hole in the nearby men's apparel shop. That's where jackets, slacks and shirts, which can number him among the better dressed sportsmen, are on display. If you can pry him out of the automobile accessories shop, you'll probably get him to tell you that what he likes most are the reasonable prices at GRANTS...WHERE VALUE AND PROGRESS GO HAND-IN-HAND.

GRANTS . . . CATERING TO AMERICA'S WOMEN

The retail business would be considerably less vibrant if women didn't keep things stirring. In concert with their hemlines, entire industries tune up or down. An array of fabrics and colors undreamed of by previous generations are commonplace, thanks to the feminine touch. Women aren't satisfied to iron fabrics where permanent press will do the job, or to scrub dishes when a dishwasher is within reach of the family budget. They demand color and eye appealing design in almost anything they purchase, from a new set of draperies or suite of furniture, to a small kitchen gadget or pair of sunglasses. They won't wear yesterday's "look". With a dab of cosmetics, some eye catching jewelry, a change of outfits and maybe a new wig, they create an aura of interest and a brand new look almost every day in the week. What do women seek in merchandise? The new, the exciting, the fashionable, the attractive, the convenient, the labor saving and the practical. They keep us busy studying every clue as to what they may want tomorrow, in the coming season, and in the year beyond. But no matter what changes lie ahead, the growing roster of women in our life have come to recognize the one factor which won't change—our dedication to providing value without sacrificing quality. They know that at GRANTS . . . VALUE AND PROGRESS GO HAND-IN-HAND.

GRANTS . . . A SHOWPLACE FOR OUTDOOR LIVING

Few long term trends have had greater impact on retailing in the past decade than the growing move toward outdoor living. Grants is fully geared up for this family fun. Almost every home owner's back yard is, or has the potential of becoming, a combination picnic ground and recreational park . . . the focal point for fair weather activities. Swimming? Sturdy and attractive above-ground pools make the dip possible. Cookout? There's an extensive assortment of grills and barbecue tools to fit the chef's tastes, and a large selection of outdoor furniture to make the family and guests comfortable. The youngsters never seem to tire of the swings and slides of the gym set, just as their older sisters and brothers appear to have limitless energy for dancing to the music of the Bradford portable combination radio and tape player. Even lawn care has taken on a fun aspect when a Grants rider-mower is at hand, and it's often a matter of friendly negotiation as to which member of the family will have his chance behind the wheel. Today, we enjoy a brighter place in the sun because our customers recognize that at GRANTS . . . VALUE AND PROGRESS GO HAND-IN-HAND.

GRANTS...WHERE FINANCIAL STABILITY IS A SPRINGBOARD FOR PROGRESS

On a graph, a Company's progress may be measured by an upcurve here, a downtrend there, or even a squiggle. There's a wide group of guidelines available to investors, but one set of considerations usually gets the most attention—performance. Grants has a 65-year track record which, despite a few downside jots, reveals an unmistakable upward trend in both sales and profits. In great part, this has been achieved through a sound financial policy—a policy which has provided shareholders with dividends in every year since our inception. In fact, annual dividend payouts have grown from $7,500,000 to more than $20,500,000 in the current ten year span. By wisely putting our dollars to work, by prudently borrowing, and by carefully supervising all resources we are able to open more stores, maintain adequate inventories, and carefully administer the growing accounts receivable brought about by increased credit sales. In short, Grants, which has earned a profit in every year of its existence, builds upon a firm and expanding fiscal base. This 65-year retail record could not have been accomplished without our partners in progress —the ever-growing Grant family of shoppers. It is their acceptance and their appreciation which has fueled the growth of GRANTS ...WHERE VALUE AND PROGRESS GO HAND-IN-HAND.

W. T. Grant Company
and consolidated subsidiaries

	January 31, 1972	January 31, 1971
ASSETS		
CURRENT ASSETS		
Cash and short term securities	$ 49,850,784	$ 34,008,749
Accounts receivable:		
Customers' installment accounts	493,858,641	433,729,581
Less allowance for doubtful accounts and unearned credit insurance premiums	28,162,996	25,079,275
	465,695,645	408,650,306
Other accounts receivable, claims, etc.	11,628,424	11,080,820
Total accounts receivable, net	477,324,069	419,731,126
Merchandise inventories (including merchandise in transit)—at the lower of cost or market determined principally by the retail inventory method	298,676,170	260,492,329
Prepaid taxes, rents, supplies, etc.	5,377,635	4,950,040
TOTAL CURRENT ASSETS	831,228,658	719,182,244
OTHER ASSETS		
Investment in Zeller's Limited, at equity—Note A	23,587,209	21,204,472
Zeller's Ltd. 5½% Convertible Debentures, at cost	5,951,109	—
Cash surrender value of life insurance	2,828,645	2,732,021
TOTAL OTHER ASSETS	32,366,963	23,936,493
COMMON STOCK OF W. T. GRANT COMPANY		
145,400 shares, at cost, held for Deferred Contingent Compensation Plan—Note C	2,381,044	2,381,044
STORE PROPERTIES, FIXTURES, AND IMPROVEMENTS—on the basis of cost		
Buildings	763,995	545,995
Furniture & fixtures	112,382,053	96,909,694
Improvements to leased properties	9,239,563	7,748,813
	122,385,611	105,204,502
Less allowance for depreciation and amortization	46,199,995	44,900,240
	76,185,616	60,304,262
Land	987,882	1,528,090
TOTAL STORE PROPERTIES, FIXTURES, AND IMPROVEMENTS	77,173,498	61,832,352
UNAMORTIZED DEBT EXPENSES	1,519,580	296,197
	$944,669,743	$807,628,330

statement of financial position

	January 31,	
LIABILITIES, RESERVES, AND CAPITAL	**1972**	**1971**
CURRENT LIABILITIES		
Short-term notes payable	$227,740,700	$236,420,216
Bank loans	10,000,000	10,000,000
Accounts payable	94,676,607	80,681,456
Salaries, wages, and bonuses	15,674,733	15,513,737
Taxes withheld from employees compensation	1,468,217	2,863,885
Taxes other than federal income taxes	3,692,763	5,464,605
Federal income taxes payable	9,477,256	13,566,940
Deferred credits, principally income taxes related to installment sales—Note E	112,846,308	94,488,843
TOTAL CURRENT LIABILITIES	475,576,584	458,999,682
LONG TERM DEBT—Note E	128,432,000	32,301,000
DEFERRED FEDERAL INCOME TAXES—Note D	9,663,530	8,518,051
RESERVES		
For self-insured risks and repainting stores	2,800,000	3,300,000
For deferred contingent compensation	2,452,535	2,473,173
TOTAL RESERVES	5,252,535	5,773,173
CAPITAL—Notes A and F:		
Capital Stock:		
Cumulative Preferred—$100 par value:		
Authorized 250,000 shares		
Issued 90,530 and 96,000 shares, respectively, of 3¾% series	9,053,000	9,600,000
Common—$1.25 par value:		
Authorized 22,500,000 shares		
Issued 14,823,394 and 14,544,224 shares, respectively	18,529,243	18,180,280
Paid-in capital	83,963,834	76,637,378
Amounts paid by employees under purchase contracts for unissued common stock	1,231,674	1,478,312
Earnings retained for use in the business	244,507,739	230,435,091
	357,285,490	336,331,061
Less 655,009 and 715,119 shares, respectively, of treasury common stock, at cost	31,540,396	34,294,637
TOTAL CAPITAL	325,745,094	302,036,424
LONG TERM LEASES AND CONTINGENT LIABILITY—Note G		
	$944,669,743	$807,628,330

(See notes to financial statements.)

W. T. Grant Company and consolidated subsidiaries

statement of operations

	Year ended January 31, 1972	1971
SALES	$1,374,811,791	$1,254,130,857
Income from concessions	3,438,795	4,985,580
	1,378,250,586	1,259,116,437
Cost of merchandise sold, buying and occupancy costs	931,237,312	843,191,987
	447,013,274	415,924,450
Selling, general and administrative expenses	373,815,889	329,767,690
	73,197,385	86,156,760
ADD:		
Interest earned	932,976	780,707
Other income	600,584	695,081
	1,533,560	1,475,788
	74,730,945	87,632,548
DEDUCT:		
Interest expense	16,451,635	18,874,134
Other deductions	518,187	556,739
	16,969,822	19,430,873
EARNINGS BEFORE FEDERAL INCOME TAXES	57,761,123	68,201,675
PROVISION FOR FEDERAL INCOME TAXES—Note E:		
Current	13,487,400	21,140,000
Deferred	13,012,600	11,660,000
	26,500,000	32,800,000
NET EARNINGS BEFORE CANADIAN SUBSIDIARY	31,261,123	35,401,675
EQUITY IN EARNINGS OF ZELLER'S LTD.:		
Dividends received	1,568,222	1,398,689
Increase in undistributed equity	2,382,737	2,776,723
	3,950,959	4,175,412
NET EARNINGS	$ 35,212,082	$ 39,577,087
EARNINGS PER SHARE—Note B	$2.51	$2.87

(See notes to financial statements.)

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

	Year ended January 31, 1972	1971
Balance at the beginning of the year	$230,435,091	$211,679,286
Net earnings for the year	35,212,082	39,577,087
	265,647,173	251,256,373
Deduct:		
Cash dividends:		
3¾% Cumulative Preferred Stock—Four quarterly dividends of 93¾¢ each per share	345,813	395,031
Common Stock—Four quarterly dividends of 37½¢ each per share	20,793,621	20,426,251
Total cash dividends	21,139,434	20,821,282
Accumulated earnings retained for use in the business at the end of the year	$244,507,739	$230,435,091

STATEMENT OF PAID-IN CAPITAL

	Year ended January 31, 1972	1971
Balance at the beginning of the year	$ 76,637,378	$ 70,224,570
Excess of proceeds over par value or cost of 258,810 and 199,440 shares respectively, of Common Stock issued under the Employee's Stock Purchase Plan	4,959,295	4,035,962
Excess of the conversion price over par value of 80,470 and 55,789 shares respectively, of Common Stock issued for 4% Convertible Debentures	2,128,598	1,474,818
Excess of par value over the cost of 5,470 and 18,500 shares respectively, of 3¾% Cumulative Preferred Stock purchased and cancelled	238,563	902,028
Balance at the end of the year	$ 83,963,834	$ 76,637,378

statement of changes in financial position

W. T. GRANT COMPANY and consolidated subsidiaries

	Year ended January 31, 1972	1971*
Source of Funds:		
From operations:		
Net earnings	$ 35,212,082	$39,577,087
Less increase in the undistributed equity in Zeller's Limited	2,382,737	2,776,723
	32,829,345	36,800,364
Plus charges to income which involve no cash outlay:		
Depreciation and amortization	10,576,708	9,618,739
Net increase (decrease) in reserves	(520,638)	73,931
Increase in deferred federal income taxes	1,145,479	232,650
Total from operations	44,030,894	46,725,684
Sale of common stock to employees	7,715,274	5,218,313
Sale of 4¾% Convertible Subordinated Debentures	100,000,000	—
Common stock issued upon conversion of 4% Debentures	2,229,185	1,544,554
Total Funds Provided	153,975,353	53,488,551
Application of Funds:		
Dividends to stockholders	21,139,434	20,821,282
Investment in properties, fixtures, and improvements	25,917,854	16,141,359
Purchase of treasury stock	—	13,224,000
Purchase of preferred stock for cancellation	308,437	947,972
Retirement of 4¾% of Sinking Fund Debentures	1,615,000	1,538,000
Investment in Zeller's Limited common stock	—	436,182
Investment in Zeller's Limited convertible debentures	5,951,109	—
Conversion of 4% Convertible Subordinated Debentures	2,254,000	1,563,000
Unamortized expense upon issuance of debentures	1,273,904	—
Increase in sundry accounts—net	46,103	324,433
Total Funds Applied	58,505,841	54,996,228
Working Capital Increase (Decrease)	$ 95,469,512	$(1,507,677)
Current Assets Increase (Decrease)		
Cash and short-term securities	$ 15,842,035	$ 1,031,799
Total accounts receivable, net	57,592,943	51,463,995
Merchandise inventories	38,183,841	38,364,709
Other current assets	427,595	(87,154)
	112,046,414	90,773,349
Current Liabilities Increase (Decrease)		
Short-term notes payable and bank loans	(8,679,516)	64,288,016
Accounts payable	13,995,151	9,828,348
Salaries, wages and bonuses	160,996	470,054
Taxes other than federal income taxes	(1,771,842)	(659,021)
Federal income taxes payable	(4,089,684)	4,007,022
Deferred credits principally tax effects related to installment sales	18,357,465	14,045,572
Other current liabilities	(1,395,668)	301,035
	16,576,902	92,281,026
Working Capital Increase (Decrease)	$ 95,469,512	$(1,507,677)

**Reclassified to conform with Jan. 31, 1972 presentation.*

notes to financial statements

JANUARY 31, 1972

Note A—The financial statements include the accounts of two wholly-owned subsidiaries, W. T. Grant Financial Corporation and Jones & Presnell Studios, Inc.

The Company carries its investment in Zeller's Limited (a 50.4% owned Canadian subsidiary, cost $8,893,326) at equity and has included in net earnings its equity in earnings of Zellers Limited. For further details as to financial position and results of operations of such subsidiary, refer to "To Our Stockholders" elsewhere in this Annual Report.

Note B—Earnings per share of common stock (equivalent to fully diluted), after deduction of dividends on preferred stock, has been determined based upon the average number of shares outstanding during each year.

Note C—The amount charged to operations for the Deferred Contingent Compensation Plan was $700,000 for each of the years ended January 31, 1972 and 1971.

Note D—Long-term debt:

	January 31 1972	1971
4¾% Convertible Subordinated Debentures dated April 15, 1971 and due April 15, 1996	$100,000,000	$ —
4¾% Sinking Fund Debentures dated January 1, 1962 and due January 1, 1987 (annual sinking fund payment of $1,500,000) . .	27,160,000	28,775,000
4% Convertible Subordinated Debentures dated June 1, 1965 and due June 1, 1990	1,272,000	3,526,000
	$128,432,000	$32,301,000

As of January 31, 1972 and 1971, 45,428 and 125,929 shares respectively of Common Stock of the Company were reserved for conversion of the 4% Convertible Subordinated Debentures at the conversion price of $28 a share. In addition, at January 31, 1972, 1,369,863 shares were reserved for conversion of the 4¾% Convertible Subordinated Debentures, at the conversion price of $73 a share.

Note E—Gross profits on sales on the installment basis are reflected in the financial statements when the sales are made, whereas, for federal income tax purposes, such gross profits are reported as income as collections are received. The resulting difference between taxes accrued and taxes actually payable is included as "Deferred credits, principally income taxes related to installment sales".

At January 31, 1972 accumulated depreciation of approximately $20,132,000 has been deducted for tax purposes in excess of the amount (using the straight-line method) reflected in the financial statements. The resulting difference is included in "Deferred Federal Income Taxes".

Investment credits totalling approximately $1,000,000 and $402,000 have been deducted (flow-through method) from the provision for federal income taxes for the years ended January 31, 1972 and 1971, respectively.

Federal income tax returns of the Company have been examined and accepted by the Internal Revenue Service through January 31, 1963.

Note F—The 3¾% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at $100 per share.

At January 31, 1972 and 1971, 372,750 and 571,450 shares, respectively, of the Company's unissued Common Stock were reserved under the Employees' Stock Purchase Plans. Contracts for the sales of such shares, on a deferred payment basis, are made at approximate market prices at dates of contracts. Shares are issued after completion of payments. In addition to the shares reserved for conversion of debentures as previously noted, 145,400 shares of issued Common Stock at January 31, 1972 and 1971, were held for the Deferred Contingent Compensation Plan.

During the year ended January 31, 1971, the Company purchased 300,000 shares of its Common Stock and during the years ended January 31, 1972 and 1971 issued 60,110 shares and 17,645 shares respectively, out of Treasury Stock under the 1970 Employees' Stock Purchase Plan. In addition, 198,700 shares and 181,795 shares of unissued Common Stock were issued during the years ended January 31, 1972 and 1971, respectively under the 1960 Employees' Stock Purchase Plan.

Note G—At January 31, 1972, the Company was lessee of real property under 1,128 leases expiring subsequent to January 31, 1975 at aggregate minimum annual rentals of approximately $69,663,000 (exclusive of taxes and other expenses payable under terms of certain of the leases). This amount includes approximately $56,841,000 for minimum annual rentals under 906 leases which are on a percentage of sales basis with specified minimum annual rentals.

Note H—The Company has an Employees Retirement Plan available to all of its employees. The amounts charged to operations for the years ended January 31, 1972 and 1971 for this Plan were $1,258,877 and $1,217,929, respectively. The Company funds pension costs accrued.

ACCOUNTANTS' REPORT

To the Board of Directors
W. T. Grant Company
New York, N.Y.

We have examined the accompanying consolidated financial statements of the W. T. Grant Company and consolidated subsidiaries for the years ended January 31, 1972 and 1971. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying consolidated statements of financial position, operations, earnings retained for use in the business, paid-in capital, and changes in financial position present fairly the consolidated financial position of the W. T. Grant Company and consolidated subsidiaries at January 31, 1972 and 1971 and the consolidated results of their operations, changes in stockholders' equity and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, N.Y.
March 15, 1972

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comparative statement of operations

(amounts in 000's) (years ended January 31 of subsequent years)

	1971	1970	1969	1968	1967
SALES	$1,374,812	$1,254,131	$1,210,918	$1,096,152	$979,458
Income from concessions	3,439	4,985	3,748	2,873	2,786
Interest and other income	1,533	1,476	1,615	1,362	1,051
	$1,379,784	$1,260,592	$1,216,281	$1,100,387	$983,295
LESS:					
Cost of merchandise sold, and operating expenses	1,305,053	1,172,960	1,124,300	1,018,548	916,087
Interest expense and other deductions	16,970	19,430	15,504	10,303	9,115
EARNINGS BEFORE TAXES	$ 57,761	$ 68,202	$ 76,477	$ 71,536	$ 58,093
FEDERAL INCOME TAXES	26,500	32,800	38,000	36,280	27,590
	$ 31,261	$ 35,402	$ 38,477	$ 35,256	$ 30,503
EQUITY IN ZELLER'S LTD.	3,951	4,175	3,332	2,927	2,490
NET EARNINGS	$ 35,212	$ 39,577	$ 41,809	$ 38,183	$ 32,993

comparative statement of financial position

(amounts in 000's) (at January 31 of subsequent years)

	1971	1970	1969	1968	1967
ASSETS:					
Cash and securities	$ 49,851	$ 34,009	$ 32,977	$ 25,639	$ 25,141
Net accounts receivable	477,324	419,731	368,267	312,776	272,450
Merchandise inventories	298,676	260,492	222,128	208,623	183,721
Prepaid expenses	5,378	4,950	5,037	4,402	3,983
TOTAL CURRENT ASSETS	$831,229	$719,182	$628,409	$551,440	$485,295
Investment in Zeller's Ltd.	23,587	21,204	17,992	15,908	14,113
Properties and fixtures	77,173	61,832	55,311	49,931	47,578
Sundry other assets	12,681	5,410	5,083	4,830	4,621
TOTAL ASSETS	$944,670	$807,628	$706,795	$622,109	$551,607
LIABILITIES:					
Notes payable and bank loans	$238,741	$246,420	$182,132	$118,125	$ 99,230
Accounts payable	114,513	104,524	94,584	85,099	68,305
Federal taxes payable	9,477	13,567	9,560	16,981	11,368
Deferred credits (taxes)	112,846	94,489	80,443	65,073	56,545
TOTAL CURRENT LIABILITIES	$475,577	$459,000	$366,719	$285,278	$235,448
Long term debt	128,432	32,301	35,402	43,251	62,622
Deferred federal taxes	9,664	8,518	8,287	7,941	7,551
Reserves	5,252	5,773	5,699	5,518	5,288
CAPITAL:					
Preferred stock	9,053	9,600	11,450	13,250	14,750
Common stock	72,184	62,001	67,559	77,264	53,619
Retained earnings	244,508	230,435	211,679	189,607	172,329
TOTAL LIABILITIES AND CAPITAL	$944,670	$807,628	$706,795	$622,109	$511,607

other items

	1971	1970	1969	1968	1967
Number of stores	1,168	1,116	1,095	1,092	1,086
Pre-tax earnings per sales dollar	4.2¢	5.4¢	6.3¢	6.5¢	5.9¢
Net earnings per share	$2.51	$2.87	$2.99	$2.71	$2.39
Dividends per share	$1.50	$1.50	$1.40	$1.30	$1.10
Working Funds*—in 000's	$ 468,498	$ 354,671	$ 342,133	$ 331,235	$306,392
Working Funds Ratio*	2.3	2.0	2.2	2.5	2.7
Net Worth—in 000's	$ 325,745	$ 302,036	$ 290,688	$ 280,121	$240,698
% earned on net worth	10.8	13.1	14.4	13.6	13.7

*Working Funds consist of current assets less current liabilities, excluding deferred credits for taxes related to installment sales. Working Funds Ratio is the ratio between current assets and current liabilities excluding deferred credits.

W. T. Grant Company...

EXECUTIVE AND BUYING OFFICES 1515 BROADWAY, TIMES SQUARE, NEW YORK, N.Y. 10036

WILLIAM T. GRANT *Honorary Chairman of the Board*

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Chairman

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JOSEPH W. CHINN, JR.
JOHN G. CURTIN
JOSEPH HINSEY
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JAMES G. KENDRICK
JOHN J. LaPLANTE
JOSEPH A. LIVOLSI
LOUIS C. LUSTENBERGER
RICHARD W. MAYER
DeWITT PETERKIN, JR.
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JAMES C. DUNNE
Assistant Secretary

EVA M. FABREGAS
Assistant Comptroller

ALLAN E. LOMEN
Assistant Comptroller

Transfer Agent MORGAN GUARANTY TRUST COMPANY, NEW YORK, N.Y.

Registrar BANKERS TRUST COMPANY, NEW YORK, N.Y.

W. T. Grant company annual report 1971